

Cornerstone Counseling Center

Year Ended June 30, 2006

Financial Statements

And

Independent Auditor's Report

With Supplementary Information

And

Compliance Reports



Cornerstone Counseling Center

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SHAW/MUMFORD
AND CO. P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cornerstone Counseling Center
Salt Lake City, UT

We have audited the accompanying statement of financial position of Cornerstone Counseling Center (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year, summarized, comparative information has been derived from the Organization's June 30, 2005 financial statements and, in our report dated September 28, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Counseling Center as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2006 on our consideration of Cornerstone Counseling Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Cornerstone Counseling Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Shaw Mumford & Co., P.C.

Bountiful, Utah
October 23, 2006

Cornerstone Counseling Center
Statement of Financial Position
June 30, 2006
With Comparative Totals For June 30, 2005

	<u>06/30/2006</u>	<u>06/30/2005</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 553,660	\$ 531,837
Accounts receivable	249,054	387,526
Prepaid expenses	<u>24,014</u>	<u>23,613</u>
Total current assets	<u>826,728</u>	<u>942,976</u>
Furniture and equipment, at cost	385,288	385,288
Less accumulated depreciation	<u>(356,672)</u>	<u>(345,403)</u>
Net furniture and equipment	<u>28,616</u>	<u>39,885</u>
Total assets	<u>\$ 855,344</u>	<u>\$ 982,861</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 127,222	\$ 95,919
Accrued payroll and payroll taxes	89,292	65,067
Accrued vacation	50,121	51,776
Reserve for unemployment compensation	<u>25,000</u>	<u>25,000</u>
Total current liabilities	<u>291,635</u>	<u>237,762</u>
Net assets		
Unrestricted	496,209	631,779
Temporarily restricted	67,500	113,320
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>563,709</u>	<u>745,099</u>
Total liabilities and net assets	<u>\$ 855,344</u>	<u>\$ 982,861</u>

See accompanying notes to financial statements.

Cornerstone Counseling Center

Statement of Activities

Year Ended June 30, 2006

With Comparative Totals For The Year Ended June 30, 2005

	06/30/2006			06/30/2006	06/30/2005
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Support					
Salt Lake County - State & County awards	\$ 777,767	\$ -	\$ -	\$ 777,767	\$ 840,499
Salt Lake County - Federal Awards	604,995	-	-	604,995	756,630
United Way	278,438	-	-	278,438	278,158
Utah Division of Child & Family Services	157,700	-	-	157,700	247,767
VOCA Grant	41,371	-	-	41,371	41,371
Utah Dept. of Health - Federal Award	30,178	-	-	30,178	15,000
SSBG grant	20,000	-	-	20,000	-
Total support	<u>1,910,449</u>	<u>-</u>	<u>-</u>	<u>1,910,449</u>	<u>2,179,425</u>
Revenue					
Medicaid reimbursements	263,932	-	-	263,932	298,193
Contributions	84,164	67,500	-	151,664	213,868
Client fees	89,470	-	-	89,470	113,563
Insurance reimb.	35,903	-	-	35,903	52,370
Interest income	20,464	-	-	20,464	9,843
CRP	30,000	-	-	30,000	-
Other revenue	13,569	-	-	13,569	2,370
Utah Dept. of Workforce Services	10,360	-	-	10,360	17,633
Crime Victims Reparations	8,023	-	-	8,023	10,079
Donated services	986	-	-	986	1,380
Net assets released from restrictions	<u>113,320</u>	<u>(113,320)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>670,191</u>	<u>(45,820)</u>	<u>-</u>	<u>624,371</u>	<u>719,299</u>
Total support and revenue	<u>2,580,640</u>	<u>(45,820)</u>	<u>-</u>	<u>2,534,820</u>	<u>2,898,724</u>
EXPENSES					
Program services	2,332,478	-	-	2,332,478	2,340,796
Management and general	277,756	-	-	277,756	231,745
Fundraising / development	105,976	-	-	105,976	136,900
Total expenses	<u>2,716,210</u>	<u>-</u>	<u>-</u>	<u>2,716,210</u>	<u>2,709,441</u>
Change in net assets	(135,570)	(45,820)	-	(181,390)	189,283
Net assets, beginning of year	<u>631,779</u>	<u>113,320</u>	<u>-</u>	<u>745,099</u>	<u>555,816</u>
Net assets, end of year	<u>\$ 496,209</u>	<u>\$ 67,500</u>	<u>\$ -</u>	<u>\$ 563,709</u>	<u>\$ 745,099</u>

See accompanying notes to financial statements.

Cornerstone Counseling Center

Statement of Functional Expenses

Year Ended June 30, 2006

With Comparative Totals For The Year Ended June 30, 2005

	06/30/2006			06/30/2006	06/30/2005
	Program Services	Management and General	Fundraising / Development	Total	Total
Salaries	\$ 1,299,768	\$ 153,691	\$ 65,384	\$ 1,518,843	\$ 1,517,363
Payroll taxes	96,996	11,128	4,858	112,982	112,325
Employee benefits	199,621	23,441	10,023	233,085	217,340
 Total salaries and related expenses	 1,596,385	 188,260	 80,265	 1,864,910	 1,847,028
 Rent	 259,857	 36,894	 8,364	 305,115	 298,738
Consulting fees	238,475	1,744	1,315	241,534	225,858
Office and program supplies	40,770	5,309	1,191	47,270	48,159
Conferences and workshops	30,207	2,806	386	33,399	12,092
Travel and meals	27,068	3,712	166	30,946	36,125
Insurance	19,862	6,616	362	26,840	26,669
Repairs and maintenance	22,012	2,526	916	25,454	32,780
Temporary staffing	17,430	6,455	969	24,854	41,103
Telephone	16,073	2,075	502	18,650	22,476
Printing and postage	8,940	514	6,652	16,106	19,981
Advertising	12,404	-	3,184	15,588	20,212
Other	6,530	6,475	213	13,218	22,230
Equipment and furniture	9,613	1,980	452	12,045	14,616
Audit	-	9,164	-	9,164	7,700
Outside services	7,667	581	356	8,604	8,354
Recruitment	5,697	-	-	5,697	8,443
Publications and subscriptions	3,407	1,892	248	5,547	5,847
 Total expenses before depreciation	 2,322,397	 277,003	 105,541	 2,704,941	 2,698,411
 Depreciation	 10,081	 753	 435	 11,269	 11,031
 Total expenses	 \$ 2,332,478	 \$ 277,756	 \$ 105,976	 \$ 2,716,210	 \$ 2,709,442

See accompanying notes to financial statements.

Cornerstone Counseling Center
Statement of Cash Flows
Year Ended June 30, 2006
With Comparative Totals For The Year Ended June 30, 2005

	<u>06/30/2006</u>	<u>06/30/2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:	\$ (181,390)	\$ 189,283
Depreciation	11,269	11,031
Changes in current assets and liabilities:		
Accounts receivable	138,472	(105,595)
Prepaid expenses	(401)	26,346
Accounts payable	31,303	(12,726)
Accrued payroll and payroll taxes	24,225	25,923
Accrued vacation	(1,655)	4,558
Reserve for unemployment compensation	-	7,448
Net cash provided by operating activities	<u>21,823</u>	<u>146,268</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>-</u>	<u>(4,981)</u>
Net cash (used in) investing activities	<u>-</u>	<u>(4,981)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net change in cash	21,823	141,287
Cash and cash equivalents, beginning of year	<u>531,837</u>	<u>390,550</u>
Cash and cash equivalents, end of year	<u>\$ 553,660</u>	<u>\$ 531,837</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Cornerstone Counseling Center

Notes to Financial Statements

June 30, 2006

1. ORGANIZATION AND NATURE OF ACTIVITIES

Cornerstone Counseling Center (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit organization on October 14, 1968. The Organization is a charitable nonprofit organization that provides individual and family mental health, substance abuse and domestic violence treatment and prevention services. These services focus on breaking the generational cycle of abuse that has devastating long-term social, safety and economic effects on the entire community. A central part of the Organization's mission is to provide quality mental health care to persons, regardless of ability to pay.

At Cornerstone Counseling Center, we are dedicated to promoting mental health and reducing substance abuse and domestic violence in our community by providing:

- Professional substance abuse and violence treatment services that promote long lasting improvements in individuals and families;
- Youth substance abuse and violence prevention programs in schools and community sites;
- Access to services regardless of income level and according to ability to pay;
- Understanding and compassionate services, with a special emphasis on serving the broad diversity of cultural groups and under-served members of our community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Notes (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

Fixed Assets

Fixed assets are stated at cost, or if acquired by gift, at estimated fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,000. Depreciation expense for the year ended June 30, 2006 was \$11,269.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restrictions ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2006.

Donated Services

The Organization receives donated services from unpaid volunteers who assist with special projects. Certain amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have been satisfied. Total donated services for the year ended June 30, 2006 was \$986.

Notes (continued)

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. As of June 30, 2006, the Organization had \$373,895 of uninsured cash balances. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2006, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Reclassifications

Certain items from June 30, 2005 have been reclassified to conform to the June 30, 2006 presentation.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2006:

Salt Lake County	\$ 148,677
Utah Division of Child and Family Services	39,213
Utah State Tax Commission - Sales tax	491
VOCA	10,390
Medicaid	22,178
SSBG	1,473
Robert Wood Johnson	10,384
PCM	15,065
Other	<u>1,183</u>
	<u>\$ 249,054</u>

4. RETIREMENT PLAN

The Organization has a 401(k) retirement plan which covers employees who have attained 21 years of age and completed one year of service. The Organization matches up to 100% of the first 3% deferred by employees. Retirement plan expense for the year ended June 30, 2006 was \$27,301.

5. AGENCY TRANSACTION

The Organization acts as a an intermediary in billing and passing certain grant funds received from Salt Lake County to other non-affiliated non-profits. This arrangement has been dictated through a contract with Salt Lake County. The amount of funds billed and passed through to these non-profits for the year ended June 30, 2006 was \$60,000.

Notes (continued)

6. RESERVE FOR UNEMPLOYMENT COMPENSATION

The Organization self-funds its potential liability for unemployment compensation expense. The Organization maintains an accrual for its self-funded unemployment insurance. Unemployment insurance accrual for the year ended June 30, 2006 was \$25,000.

7. COMMITMENTS AND CONTINGENCIES

The Organization has lease agreements for office space which are treated as operating leases for accounting purposes. The Salt Lake office lease expires in February 2008 and requires monthly lease payments of \$24,694. The West Valley office lease expired in August 2004 and the office closed. The Salt Lake lease contains an escalation clause of 3% each year.

The following is a schedule of future minimum lease payments that the Organization is obligated to pay:

<u>Year Ended June 30,</u>	<u>Total</u>
2007	\$ 314,102
2008	<u>213,548</u>
Total	<u>\$ 527,650</u>

Rent expense for the year ended June 30, 2006 was \$305,115.

8. PRIOR YEAR INFORMATION

The financial statements for the year ended June 30, 2005 are presented for comparative purposes only. The notes presented herein contain information relating to June 30, 2006 only. Please refer to the June 30, 2005 audited financial statements for information relating to the notes for the prior year.

SUPPLEMENTARY INFORMATION

AND

COMPLIANCE REPORTS

Cornerstone Counseling Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Award Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through the Salt Lake County Alcoholism and Drug Abuse Services Division		
Substance abuse treatment and prevention	93.959	\$ 398,905
Substance abuse prevention	93.959	206,090
Passed through the State of Utah, Utah Department of Health		
HIV Prevention Project U62/CCU823496	93.940	29,068
Passed through the Salt Lake County, Community Resources and Development		
SSBG General Mental Health Treatment	93.667	20,000
Passed through the State of Utah, Utah Department of Health, Div. of Health Care Financing		
Health Care Services – Substance Abuse	93.959	185,988
Passed through Valley Mental Health		
Health Care Services – Mental Health	93.958	<u>11,961</u>
Total U.S. Department of Health and Human Services		<u>852,012</u>
<u>U.S. Department of Justice</u>		
Passed through the State of Utah Office of Crime Victim Reparations		
VOCA	16.575	<u>41,371</u>
Total U.S. Department of Justice		<u>41,371</u>
Total expenditures of federal awards		<u>\$ 893,383</u>

Note 1 - Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Pass-Through Awards

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted above.

Cornerstone Counseling Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Summary of Auditor's Results

1. We issued an unqualified opinion in our report on the financial statements of Cornerstone Counseling Center for the year ended June 30, 2006.
2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended June 30, 2006.
4. The results of our audit disclosed no audit findings which we are required to report.
5. The major program of Cornerstone Counseling Center for the year ended June 30, 2006 is as follows:

Substance Abuse Treatment and Prevention	CFDA Number	93.959
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6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Cornerstone Counseling Center did qualify as a low-risk auditee.

Findings Related To The Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

Findings of Prior Audit - Year Ended June 30, 2005

There were no findings reported for the year ended June 30, 2005. Therefore, there are no outstanding resolution matters relating to major federal programs.



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AND CO. P.C.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Cornerstone Counseling Center
Salt Lake City, UT

We have audited the financial statements of Cornerstone Counseling Center (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cornerstone Counseling Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cornerstone Counseling Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw Mumford & Co., P.C.

Bountiful, Utah
October 23, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Cornerstone Counseling Center
Salt Lake City, UT

Compliance

We have audited the compliance of Cornerstone Counseling Center (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Cornerstone Counseling Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cornerstone Counseling Center's management. Our responsibility is to express an opinion of Cornerstone Counseling Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cornerstone Counseling Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cornerstone Counseling Center's compliance with those requirements.

In our opinion, Cornerstone Counseling Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Cornerstone Counseling Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cornerstone Counseling Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw Mumford & Co, P.C.

Bountiful, Utah
October 23, 2006



SHAW/MUMFORD
AND CO. P.C.

**REPORT ON COMPLIANCE WITH
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

The Board of Directors
Cornerstone Counseling Center
Salt Lake City, UT

We have audited the financial statements of Cornerstone Counseling Center (a nonprofit organization) for the year ended June 30, 2006 and have issued our report thereon dated October 23, 2006. As part of our audit, we have audited the Cornerstone Counseling Center's compliance with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to each of its major State award programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. Cornerstone Counseling Center received the following major State assistance awards from the State of Utah:

Domestic Violence Treatment (Utah Department of Human Services – Division of Child & Family Services)
Substance Abuse Treatment (Utah Department of Human Services – Salt Lake County)
Substance Abuse Prevention (Utah Department of Human Services – Salt Lake County)

Cornerstone Counseling Center also received the following nonmajor grants which are not required to be audited for specific compliance requirements:

Witness for Domestic Violence (Utah Department of Human Services – Division of Child & Family Services)
State Supervision (Utah Department of Human Services – Salt Lake County)
CAIO (Utah Department of Human Services – Salt Lake County)
Juvenile Justice (Utah Department of Human Services – Salt Lake County)
Family Drug Court (Utah Department of Human Services – Salt Lake County)
Felony Drug Court (Utah Department of Human Services – Salt Lake County)
ZAPP (Utah Department of Human Services – Salt Lake County)
Going Home (Utah Department of Human Services – Salt Lake County)

The management of Cornerstone Counseling Center is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Cornerstone Counseling Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

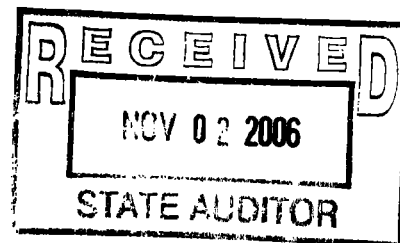
In our opinion, Cornerstone Counseling Center complied, in all material respects, with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to its major State award programs for the year ended June 30, 2006.

Shaw Mumford & Co., P.C.

Bountiful, Utah
October 23, 2006



SHAW/MUMFORD
AND CO. P.C.



October 23, 2006

The Board of Directors
Cornerstone Counseling Center

In connection with our audit of the financial statements of Cornerstone Counseling Center for the year ended June 30, 2006, we reviewed the internal controls over financial reporting and compliance. We did not have any findings or recommendations for Cornerstone Counseling Center for the year ended June 30, 2006. We commend the Organization and its personnel for their ongoing commitment to improve the Organization's internal control system and also for the controls developed over client information.

Yours very truly,

Shaw Mumford & Co., P.C.

SHAW MUMFORD & CO., P.C.